

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR

DEPARTMENT OF THE TREASURY
2 Cupania Circle
Monterey Park, CA 91755-7406

Date: DEC 13 1994

Case Number:

Taxpayer Identifying Number:

Contact Person:

Contact Telephone Number:

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in § 501(c)(3) of the Internal Revenue Code (hereinafter the "Code").

FACTS

The information submitted discloses that you were incorporated under the corporation laws of [REDACTED]. Your articles of incorporation state that you were organized "to provide vocational enhancement programs."

On your Form 1023 regarding your activities and operational information, you state "The primary objective of the foundation is to offer financial assistance, in the form of academic scholarships, to graduating high school seniors who for whatever reason, come from families that cannot afford to send their children on to any form of secondary education, such as either colleges or even technical schools, because of financial reasons, usually just plain low economic income."

You use the following activity codes to identify your activities:

- School, college, trade school, etc.,
- Other student aid, and
- Job training, counseling, or assistance.

Sources of financial support shown on your Form 1023 state "At the present time this organization does not have any procedure for the generation of income other than the following:...

- (a) Direct donations from the general public at large,
- (b) Larger sums from various fund raising activities,
- (c) A possible 'thrift store' type operation,
- (d) Donations of property (both personal and real) which can be turned into cash, and
- (e) Various others as may be recommended and implemented by the organization."

Information submitted indicates that you are currently not engaged in any activity aside from organizational activities. Also, you will not

start any of your activities until your tax exemption has been granted.

ISSUE

Does the organization qualify for exemption under the Code § 501(a) as an organization described in the Code § 501(c)(3)?

LAW

Code § 501(c)(3) provides exemption to organizations organized and operated exclusively for charitable, educational, or other exempt purposes.

Income Tax Regulations (hereinafter "Reg.") § 1.501(c)(3)-1(a) provides that in order to be exempt as an organization described in the Code § 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Revenue Procedure 90-27, § 5.01 states "A ruling or determination letter will be issued to an organization, provided its application and supporting documents establish that it meets the particular requirements of the section under which exemption is claimed. Any oral representation of additional facts or modification of facts as represented or alleged in the application for a ruling or determination letter must be reduced to writing over the signature of an authorized individual."

Revenue Procedure 90-27, § 5.02 states "Exempt status will be recognized in advance of operations if proposed operations can be described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements of the section under which exemption is claimed. A mere restatement of purposes or a statement that proposed activities will be in furtherance of such purposes will not satisfy this requirement. The organization must fully describe the activities in which it expects to engage, including the standards, criteria, procedures or other means adopted or planned for carrying out the activities, the anticipated sources of receipts, and the nature of contemplated expenditures. Where the organization cannot demonstrate to the satisfaction of the Service that its proposed activities will be exempt, a record of actual operations may be required before a ruling or determination letter will be issued. In those cases where an organization is unable to describe fully its purposes and activities, a refusal to issue a ruling or determination letter will be considered an initial adverse determination from which administrative appeal or protest rights will be afforded."

ANALYSIS AND CONCLUSION

You failed to fully describe to the satisfaction of the Internal Revenue Service, that the activities in which you expect to engage will be in furtherance of your purposes. Accordingly, you do not meet the operational test as required by Reg. § 1.501(c)(3)-1(c).

Donations to your organization are not deductible by donors under the Code § 170.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement, Form 6018, Consent to Proposed Adverse Action. Please note that the instructions for signing are on the reverse side of the form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange for a hearing. The hearing may be held at the office of Regional Director of Appeals, or if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

If we do not hear from you within 30 days from the date of this letter, and you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies and will then become our final determination.

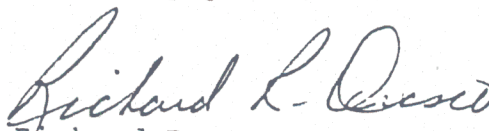
Code § 7428(b)(2) provides, in part, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

You are required to file Federal income tax returns, Form 1120, U.S. Corporate Income Tax Return, annually with your respective Service Center.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely yours,


Richard R. Orosco
District Director

Enclosures:
Publication 892
Form 6018

1. We can only recognize you as exempt in advance of operations if you are able to describe your proposed operations in sufficient detail to enable us to determine that you will be organized and operated in accordance with section 501(c)(3) of the Code.
 - a. Please indicate what specific activities you are engaged in at present aside from organizational activities.
 - b. Please provide a timetable for the implementation of your program.
 - c. Please complete schedule H of Form 1023 application regarding the scholarship.
 - d. What are your procedures in handling an applicant when the applicant happens to be a friend or a relative of your officer/director/employee?
 - e. How will you publicize the scholarship program to make possible recipient aware of the grants/scholarship/etc.?
 - f. What are your specific criteria for not being able to afford sending a child to higher education? What is the upper limit of family income?
 - g. Please explain in detail on how you will provide the vocational enhancement program. Why is the purpose different from the proposed operation in Form 1023?
2.

[REDACTED]

 - a. Please explain why there was no origination date.
 - b. Please explain why the note was made out to "[REDACTED]".
 - c. Please provide full name, address, and social security number or employer identification number of the individual/entity who provided the funds in exchange for the note, and explain how he/she/it is related to your officers.
 - d. The note was due on [REDACTED]. Please provide full name, addresses, social security number or employer identification number, and the amount of funds for each individual/entity who provide funds to you to pay off the note.
 - e. If you have not repaid the note, please explain why.
 - f. Please provide full name, address, and social security number or employer identification number of each individual/business who provided the incorporation services, and the amount you paid to each one of them.
3. Grant from [REDACTED]:
 - a. Please provide a copy of the grant application you submitted to [REDACTED].
 - b. Why did you chose [REDACTED] to solicit funds?
 - c. What are the intended uses of the grant?
 - d. How are the intended uses relate to the activities and purposes of [REDACTED]?
 - e. How are the intended uses relate to your activities and purposes?
4. Please provide minutes of the corporate meetings you held to date.
5. For each of your officer and director, please provide the following information:

- a. full name
- b. full street resident address
- c. social security number
- d. his/her qualification to be selected as an officer/director of your organization.
- e. a biographical description.
- f. his/her relation to other officers/directors.
- g. his/her duties within your organization.
- h. his/her contribution to your organization. (in terms of money, labor, contact, etc.)
- i. Has s/he done personal estate planning? If so, when?
- j. Has s/he attended a seminar put out by [redacted] through [redacted] regarding trusts and foundations? If so, please provide the following:

- when was the seminar?
- where was the seminar?
- what was the attending fee?
- what did s/he donate to [redacted]?
- what was the value of the donated items?

k. What is s/he doing of a living now?

6. Location of the operation:

- a. Where is the actual location of your operation?
- b. You stated that you intent to operate within [redacted] in the near future. Please explain who will be running the operation in [redacted], and how will the individual(s) operate.
- c. Please provide a street address of your current location, and of your [redacted].

7. Three years proposed budget:

- a. Please explain why the proposed budget for all three years are identical.
- b. Your proposed plan was to assist in the form of cash. However, your proposed budget has no allocation for such assistance. Why? Please explain in detail.
- c. Please describe the daily/weekly activities you were anticipating when you set up the proposed budget. Please tie in the budgeted expenses with the activities.
- d. Please provide the actual financial statements for all years you have been in existence.
- e. For the expenses you incurred to date, please provide the following:
 - date incurred,
 - dollar amount,
 - full name and address of payee, and
 - purpose of the expenditure.
- f. Please describe each type of expense or situation where you will reimburse or compensate your officers/directors.

8. The resident agent in [redacted]:

- a. Please explain in detail the duties of a resident agent.
- b. Please describe the relation between your resident agent and

- your officers/directors.
- c. Please provide full name, street resident address, and social security number of your resident agent.

Department of the Treasury-Internal Revenue Service
Consent to Proposed Adverse Action
(All references are to the Internal Revenue Code)

Prepare in
Duplicate

Case Number

Date of Latest Determination Letter

Employer Identification Number

Date of Proposed Adverse Action Letter

DEC 13 1994

Name and Address of Organization

I consent to the proposed adverse action relative to the above organization as shown by the box(es) checked below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

NATURE OF ADVERSE ACTION

☒ Denial of exemption

☐ Revocation of exemption, effective

☐ Modification of exempt status from section 501(c)() to 501(c)(), effective

☐ Classification as a private foundation (section 509(a)), effective

☐ Classification as a non-operating foundation (section 4942(j)(3)), effective

☐ Classification as an organization described in section 509(a)(), effective

☐ Classification as an organization described in section 170(b)(1)(A)(), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428.

(Signature instructions are on the back of this form.)

Name of Organization

Signature and Title

Date

Signature and Title

Date

CERTIFIED
2003006395

Date: JUL 24 1996

Employer Identification Number: [REDACTED]

Form Number: 1120

Tax Years: [REDACTED]

Key District: Los Angeles

Person to Contact: [REDACTED]

Contact Telephone Number: [REDACTED]

This is a final adverse determination as to your exempt status under section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reason(s):
You did not meet the operational test under section 1.501(c)(3)-1 of the Income Tax Regulations. In order to qualify under Code section 501(c)(3), an organization must be both organized and operated exclusively for one or more purposes specified in that section. You did not describe your proposed activities in sufficient detail as required by section 1.501(c)(3)-1 of the Regulations.
Contributions to your organization are not deductible under Code section 170.

You are required to file Federal income tax returns on the form indicated above. Based on the financial information you furnished, it appears that returns should be filed for the above years. You should file these returns with your key district director, EP/EO Division, within 30 days from the date of this letter, unless a request for an extension of time is granted. Processing of income tax returns and assessment of any taxes due will not be delayed because you have filed a petition for declaratory judgment under Code section 7428. You should file returns for later tax years with the appropriate service center shown in the instructions for those returns.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, a petition to the United States Tax Court, the United States Court of Claims, or the district court of the United States for the District of Columbia must be filed within 90 days from the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment.

We will notify the appropriate State officials of this action, as required under Code section 6104(c).

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

AT Smith
Associate Chief, Appeals

Los Angeles Appeals Office
300 N. Los Angeles Street, Room 3054
Los Angeles, CA 90012

Letter 1371(RO)(1-80)